Home Equity Makes It Happen

If you have big plans and need a ready source of cash, think about a Home Equity Line of Credit.

Marin County
Federal Credit Union

What you should know

Why a Home Equity Line of Credit?

If you're looking to improve the value of your home, this is an ideal way to finance it. If you need to add a bathroom, update the kitchen, go solar, install more efficient air conditioning, or modify your home to age in place, this tool can handle the job. It may also be a good way to pay off debt, pay for tuition and for unexpected expenses.

If you're a homeowner, the funds you need may already be in your home in the form of equity. Put it to good use with a Home Equity Line of Credit, often called a HELOC.

But remember that your equity is a valuable financial resource and should be used wisely. Keep reading to learn more about HELOCs.

Age in place with home equity

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What it is and how it works

A HELOC is a revolving line of credit secured by your home's equity, which is the difference between your home's market value and what you owe on it. Typically, you can borrow between 75% to 85% of your equity, depending on the lender.

To estimate how much you may qualify for, see the example in the **See how much you can borrow** section.

Because it's secured by your home, a HELOC may be easier to qualify for. And it typically has lower interest rates, so it's one of the most affordable ways to borrow.

You can take advances on your HELOC during the draw period, which is usually the first 7, 10 or 15 years. After that is the repayment period, when you can no longer take advances.

Get educated with home equity

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Benefits

VERSATILITY
A HELOC can be used for any purpose, unlike an auto or home improvement loan.

INSTANT ADVANCES
When you need funds for projects, you can quickly and easily access them.

MANAGE YOUR SPENDING
You borrow only what you need, when you need it.

PAY ONLY ON WHAT YOU USE
Regardless of your credit limit, you pay interest only on the amount you borrow.

Consider

SECURED BY YOUR HOME
If you default, you could put your home at risk. Consider carefully how you use this valuable tool.

ADJUSTABLE RATES
HELOC rates are based on prevailing interest rates and can go up or down over time. If interest rates rise, so could your payments. Some HELOCs have annual and lifetime caps that limit how much your interest rate (and payments) can increase on a quarterly or annual basis. Some also limit the total increase over the life of the loan. Be sure to compare these caps before taking out a loan.

INTEREST-ONLY OPTION
Some HELOC lenders allow you to make interest-only payments at the beginning of the loan. This will lower your loan payments initially. But, when the interest-only period ends your payments will go up, possibly dramatically, as you must also start paying down the principal.

Find new paths with home equity

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How will you use it?

HOME IMPROVEMENTS, REPAIRS AND ADDITIONS
Investing in your home can make you more comfortable while increasing its value. If remodeling, see **Choosing a Contractor** for tips.

CONSOLIDATING BILLS
You may want to consider taking an advance to pay off credit cards with higher interest rates to lower the cost of your borrowing.

EMERGENCIES
Gain peace of mind knowing you're ready for unexpected medical, home or repair expenses. Remember, you don't pay any interest until you use it, so a HELOC can be waiting in the wings, just in case you ever need it.

EDUCATION EXPENSES
Investing in education can be a wise move. Just be sure to use any available scholarships, grants, and federal/private education loans first.

NOT THE BEST FOR DEPRECIATING ASSETS
We do not recommend borrowing against your home for assets that depreciate such as a car or boat. A **vehicle loan** might be your better choice.

Improve home with home equity

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How much you can borrow

You can typically borrow up to 80% of your equity (Your home's appraised value minus mortgages, liens and judgments).

For example, say you have a $500,000 home and owe $300,000 on it. If the lender allows you to borrow 85% of your home's value, loans against the home cannot exceed $425,000: **$500,000 value x 85% = $425,000**

Since you already have a $300,000 loan on this home, you could borrow up to $125,000 more in this example:

$425,000 minus $300,000 = $125,000

Fall in love with home equity

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What to look for in a lender

Do your homework before signing anything. Carefully compare lenders and answer these:

- Are there application, title search, processing, annual maintenance, inactivity or other fees?
- Are there prepayment penalties?
- How is your interest rate determined? Is it based on the prime rate, LIBOR or other index?
- How often can your rate adjust?
- Are there annual and/or lifetime caps that limit interest rate changes?
- If there are caps, how big an increase do they allow, and how often?
- Is the advertised rate a short-term teaser or introductory rate? If so, how long does it last?
- Is there a minimum withdrawal amount per advance?
- Is there a minimum amount you must borrow upfront, when you're approved for the loan?
- How long is the draw period? How long is the repayment period?
- Will there be a balloon payment, where the total remaining balance is due all at once?

Consolidate with home equity

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Think local if you're thinking HELOC

Our Home Equity Line of Credit offers a great many advantages. As a not-for-profit lender, our rates are lower than for-profit banks, and we have fewer and lower fees.

Plus, doing business with us keeps your money in the community — another advantage of borrowing from Marin County Credit Union

Apply or learn more at (415) 499-9780, MarinCU.org or visit our office.

Marin County Federal Credit Union

Your trusted financial partner

Information deemed accurate but not guaranteed and subject to change.
Consult your tax advisor regarding your situation.

Federally insured by NCUA

Equal Housing LENDER